

# General Fund Reserves

Special Meeting

City Council

July 2, 2019

# General Fund

- Primary source of unrestricted reserves.
- Reserve Policy Adopted by Resolution in 2013
- Potential Impacts to General Fund Reserves
  - *Existing fund deficits*
    - Airport Fund 750 - \$4.95 M (Interfund Loan Adopted on June 11, 2019)
    - PFE Fire Fund 242
    - PFE Drainage Fund 247
  - *Municipal utility refunds*

# Current Reserves

- Operating Reserve – 25% of Annual General Fund Outflow
- Catastrophic Reserve - \$2 Million
- Economic Reserve - 15% of Annual General Fund Expenditures
- Capital Reserve – Annual Contributions of \$300,000
- OPEB – Self Restricted for Future Liabilities
- PERS - Self Restricted for Future Liabilities
- Projected ending General Fund Reserve Previously 70% of Annual Expenditures.
- Eliminate the OPEB and PERS reserves, the remaining total reserve is reduced to 55%.

# Impact of Airport Debt on General Fund Reserves

- \$4.95 of cash borrowing
- Reduced Catastrophic Reserve to \$0
- Reduced Economic Reserve to \$0

General Fund Reserve Analysis		6/30/19 Projected Ending Fund Balance	Airport Interfund Loan Adjustment	6/30/19 Projected Revised Ending Fund Balance
100	Spendable Reserves	\$ 1,914,287	\$ (593,937)	\$ 1,320,350
	Operating Reserve	\$ 4,674,039		\$ 4,674,039
	Catastrophic Reserve	\$ 2,000,000	\$ (2,000,000)	\$ 0
	Economic Reserve	\$ 2,356,063	\$ (2,356,063)	\$ 0
	Capital Replacement	\$ 351,150		\$ 351,150
	OPEB Reserve	\$ 2,094,818		\$ 2,094,818
	PERS UAL	\$ 678,711		\$ 678,711
	Designated Reserves	\$ 393,785		\$ 393,785
		\$ 14,103,277	\$ (4,950,000)	\$ 9,512,853

# Government Finance Officers Association (GFOA)

- Recommends General Fund Reserve targets between 15% - 35% of annual expenditures depending on the risk, stability, and needs of the individual Community
- City of Lincoln is considered a moderate risk
- Should maintain 26% to 35% General Fund Reserve
- Currently have approximately 32% In General Fund Reserves

# OPEB Reserve

- OPEB Reserve established prior to the OPEB Trust
- OPEB Trust managed by a third party administrator
- Funding of OPEB obligations is now included in the annual operating budget for each fund and listed by department
- Funds are transferred on an annual basis to the OPEB Trust
- No longer necessary to have an OPEB Reserve
- Recommend removing from policy

# Capital Replacement Reserve

- Originally intended to be a source of long-term funding for the capital replacement expenditures that would be obligations of the General Fund
- Staff recommends funding be transferred directly to internal services accounts and not held in a reserve
- Holding funds in a reserve was causing difficulties with the capitalization of the assets purchased
- Recommend removal from policy but still fund as part of Unassigned Fund Balance



# Modified General Fund Unassigned Fund Balance

- Minimum Unassigned Fund balance of \$500,000
- An amount in the Unassigned Fund balance beyond the required minimum balance, the difference would be disbursed as follows:
  - 40% to fund Other Post-Employment Benefits Trust as a payment to directly to the trust.
  - 40% to fund unfunded Pension Liability as an extra payment to CalPERS.
  - 10% to fund Vehicle/Equipment Replacement as a transfer to the Vehicle/Equipment Replacement Fund
  - 10% to fund Facility Maintenance/Replacement as a transfer to the Facility Maintenance/Replacement Fund

# Catastrophic Reserve

- \$2 Million
- Requires that the City Manager prepare a plan within six months of approval of the Audited Annual Financial Statements to restore the reserve to stated level within 24 months
- Council Input?

# Economic Reserve

- Committed Economic Reserve balance of a minimum of 15% of annual General Fund operating expenditures
- If Economic Reserve falls below 5% of annual expenditures, the City Manager shall prepare a plan within six months of approval of the Audited Annual Financial Statements to restore the 5% level within 24 months and to the 15% level within 48 months
- Council Input

# Questions